

_____ BILL NO. _____

INTRODUCED BY _____
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING THE APPORTIONMENT OF INCOME UNDER THE WATER'S-EDGE ELECTION FOR THE PURPOSES OF CORPORATE LICENSE OR INCOME TAX; PROVIDING A TRANSITION PERIOD RELATED TO A WATER'S-EDGE ELECTION; AMENDING SECTION 15-31-121, MCA; REPEALING SECTIONS 15-31-321, 15-31-322, 15-31-323, 15-31-324, 15-31-325, AND 15-31-326, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-31-121, MCA, is amended to read:

"15-31-121. Rate of tax -- minimum tax --distribution of revenue. (1) ~~Except as provided in subsection (2), the~~ The percentage of net income to be paid under 15-31-101 is 6 3/4% of all net income for the tax period.

~~(2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under 15-31-101 is 7% of all taxable net income for the tax period.~~

~~(3)(2)~~ Each corporation subject to taxation under this part shall pay a minimum tax of not less than \$50.

~~(4) For fiscal year 2005, the tax collected from water's-edge corporations must be deposited as follows:~~
~~—— (a) \$375,000 in the state special revenue fund to the credit of the department of public health and human services for state matching funds to maximize federal funds for medicaid health services; and~~
~~—— (b) the balance in the state general fund."~~

NEW SECTION. Section 2. Transition. (1) A corporation that has made a water's-edge election under 15-31-321 through 15-31-326 prior to [the effective date of this act] may retain the water's-edge election for the remainder of the 3-year election period or may rescind the election for any tax period beginning after [the effective date of this act]. If the corporation rescinds the election, the department shall impose reasonable conditions that are necessary to prevent the avoidance of tax, to clearly reflect income for the election period prior to the rescision, or to prevent any items of income or gain from being eliminated or deferred or any items of loss, deduction, expense, or credit from being counted more than once.

(2) A corporation that retains the water's-edge election under this section is subject to the provisions of 15-31-121 and 15-31-321 through 15-31-326 as those sections read on December 31, 2009.

NEW SECTION. **Section 3. Repealer.** Sections 15-31-321, 15-31-322, 15-31-323, 15-31-324, 15-31-325, and 15-31-326, MCA, are repealed.

NEW SECTION. **Section 4. Saving clause.** [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

NEW SECTION. **Section 5. Effective date.** [This act] is effective January 1, 2010.

NEW SECTION. **Section 6. Applicability.** [This act] applies to tax years beginning after December 31, 2009.

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